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C O N F I D E N T I A L SECTION 01 OF 02 CARACAS 001181

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TAGS: [ECON](#) [PGOV](#) [ETRD](#) [EINV](#) [MARR](#) [CU](#) [VE](#)
SUBJECT: THE CUBANS IN VENEZUELA'S PORTS

REF: CARACAS 1022 AND PREVIOUS

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Classified By: Economic Counselor Darnall Steuart for reasons 1.4 (b) a
nd (d)

¶11. (C) SUMMARY. Post has confirmed that a wholly Venezuelan government-owned company, Bolipuertos, is now charged with the management of Venezuela's ports. Cuba's ASPORT has a 49 percent share in Puertos del Alba, a separate company, which will reportedly be focused on business development. Contacts in shipping circles, however, tell us that the Cubans are active in the ports as "advisors" to Bolipuertos and were instrumental in pushing for the take over of port operations. Bolipuertos has taken over private warehouse operations at three ports named in the original March 25 Decree (Guamache, Maracaibo, Puerto Cabello) as well as a fourth -- La Guaira, the port serving Caracas. Shipping contacts report rumors that the government may nationalize stevedoring and customs agent services. Insurance premiums have reportedly increased 35-40 percent since May. END SUMMARY.

BOLIPUERTOS & PUERTOS DEL ALBA

¶12. (SBU) Post has clarified the issue of the management of Venezuela's ports. Two companies of virtually the same name have been decreed by the Government of the Bolivarian Republic of Venezuela (GBRV). The first -- Bolivariana de Puertos S.A. (BPSA or Bolipuertos) -- was founded by Decree on June 12, 2007. This company was to be a mixed Venezuelan-Cuban company with Cuba's Grupo Empresarial de la Industria Portuaria (ASPORT) having a 49 percent share. We understand that this first Bolipuertos was never actually registered as a company. The second Bolivariana de Puertos (BP or Bolipuertos) was created by Decree No. 6,645 dated March 25, 2009, to "maintain, administer and develop" Venezuela's ports. According to that Decree, the Venezuelan state holds 100 percent of the capital of the second Bolipuertos which was assigned to the Ministry for Public Works and Housing. Neither of these companies is Puertos del Alba in which the Cubans have a significant investment.

¶13. (C) On July 29, 2009, as reported reftel, the GBRV published another Decree in the National Gazette authorizing the creation of Puertos del Alba, a state-owned company to be charged with "modernizing, renovating, equipping, and constructing" ports in Venezuela and Cuba. Cuba's ASPORT has a 49 percent share in Puertos del Alba with the 51 percent

majority share remaining with Bolipuertos. A close Embassy contact tells us that the intent of the GBRV is to "follow the Cuban model" by installing a company (Bolipuertos) that will run all aspects of port operations in Venezuela while Puertos del Alba will act as its business development arm. Other contacts assert that Bolipuertos retains Cuban "advisors" on staff, but they do not believe that the Cubans have formal managerial responsibility in the company. These advisors, however, are believed to have urged the GBRV to move ahead with taking control of the ports.

¶4. (C) The March 25, 2009, Decree creating (or re-creating) Bolipuertos stipulated that it would be responsible for the infrastructure of Puerto El Guamache (the Isla Marguerita cruise ship port), Maracaibo Port, Puerto Cabello (Venezuela's largest port), as well as that of "any ports to be developed in the future." As reported reftels, a subsequent Decree dated July 30, declared the immediate nationalization of private warehouse operations at the three ports named in the March 25 Decree as well as a fourth -- La Guaira, the port serving Caracas. Our contacts in the shipping industry tell us that it appears likely that Bolipuertos will also take control of port operations at Guanta, Palua/Puerto Ordaz, Guiria and Cumana.

PORT SERVICES STILL TROUBLED

¶5. (C) Operations in Puerto Cabello were interrupted for four days following the take over of warehouse operations at the beginning of August. Reports of significant problems have continued since the resumption of operations. Former Petroleum Chamber President Andres Duarte (protect throughout) informed Econoffs that his stevedore company has not been allowed to remove equipment from the port for maintenance or weekend storage in what many believe is a

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precursor to the expropriation of stevedoring and other terminal services. Another contact whose company provided warehouse services at Puerto Cabello, directed Econoffs' attention to another company, Venezolana de Exportaciones y Importaciones, C.A. (VEXINCA), established by Decree No. 38954 dated June 17, 2008. According to this contact, VEXINCA, which is run by the military as are the ports at this point, is actively offering customs services to the clients of private sector customs agents. Our contact speculates that VEXINCA may eventually be designated as the sole provider of customs services in Venezuela.

INSURANCE AND OTHER RISKS

¶6. (C) Duarte informed Econoffs that insurance premiums have increased 35-40 percent since the May 2009 announcement of the Marine Committee of the Lloyd's Market Association that it had withdrawn maritime war-risk policy coverage for Venezuela. Other local shipping contacts have confirmed a bulletin that ran in a British shipping magazine in August noting that it may be difficult to make claims against Bolipuertos for robbery, damage etc. According to Duarte, Norwegian and Panamanian owned ships that used to bring soda ash to Venezuela have already been swapped out for older vessels with much smaller cargo capacity that cannot maintain the previous off-loading rate of 50,000 tons per day. Duarte also confirmed that the GBRV will have to pay a higher premium on refrigerated shipping containers to European and Brazilian firms as Maersk will no longer send them to Venezuela as it has been unable to retrieve them in the past due to the chaos in the ports. It has also been reported that shipping line Hamburg Sud will no longer serve Venezuela.

¶7. (C) COMMENT: Many observers note that decreased traffic arising from the global recession has saved Venezuela's ports from complete strangulation. The wilderness of stacked containers at the ports has improved. However, few here believe that the GBRV has the know-how or the logistical

experience to manage the ports even with the assistance of Cuban advisors. There is speculation that some port operations may ultimately be handed over to friendly governments on a concessionary basis.

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